Annual financial statements

of STS Group AG as of December 31, 2021

COMBINED MANAGEMENT REPORT

The management report of STS Group AG and the Group Management Report are summarized in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) of the German Commercial Code (HGB) and published in the Annual Report 2020 of STS Group AG.

The annual financial statements and the management report of STS Group AG for the financial year 2020, which is summarized in the Group Management Report, will be submitted to the publisher of the Federal Gazette and published in the Federal Gazette.

The annual financial statements of STS Group AG and the Group’s annual report for the financial year 2020 are also available on the Internet at:

https://www.sts.group/investor-relations/publications

INCOME STATEMENT

FROM JANUARY 1 TO DECEMBER 31, 2021

in kEUR	2021	2020
1. Revenues	1,520	4,067
2. Other operating income	231	15,357
(therefore income from currency translation)	*5*	*21*
3. Personnel expenses		
a) Wages and salaries	-691	-4,547
b) Social security, post-employment and other employment benefit costs	-45	-366
thereof relate to pension costs	*0*	*-16*
4. Ammortization of intangible assets and depreciation of tangible assets	-47	-112
5. Other operating expenses	-2,327	-10,157
(thereof expenses from currency translation)	*-18*	*-3*
6. Income from equity investments	3,183	0
(thereof from affiliated companies)	*3,183*	*0*
7. Othere interest and similar income	1	304
(thereof from affiliated companies)	*1*	*304*
8. Amortization from financial assets	0	-12,944
9. Interest and similar expenses	-290	-219
(thereof from affiliated companies)	*0*	*-214*
10. Taxes on income	-161	-45
11. Profit after taxes in income	**1,375**	**-8,662**
12. Other taxes	0	-1
13. Net profit / loss for the year	**1,375**	**-8,663**
14. Retained accumulated losses carried forward	0	-9,278
15. Withdrawels from the capital reserve	0	17,942
16. Accumulated gain carried forward	**1,375**	**0**

BALANCE SHEET

AS OF DECEMBER 31, 2021

in kEUR	31 December 2021	31 December 2020
Assets		
A. Fixed Assets		
I. Intangible Assets		
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	**115**	**159**
II. Tangible Assets		
Other Equipment, factory and office equipment	**0**	**24**
III. Financial Assets		
1. Shares in affiliated companies	19,065	19,065
2. Loans to affiliated companies	30	29
	19,095	**19,094**
	19,210	**19,277**
B. Currents Assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	84	354
2. Other assets	35	85
II. Cash and cash equivalents	29	561
	148	**1,000**
C. Prepaid expenses	**88**	**148**
Total assets	**19,446**	**20,425**

in kEUR	31 December 2021	31 December 2020
EQUITY AND LIABILITIES		
A. Share equity		
I. Subscribed capital	6,500	6,500
Calculated value Own shares	-50	-50
Issued capital	6,450	6,450
Contingent capital	*2,500*	*2,500*
II. Treasury shares	6,193	6,193
III. Capital Reserve		
Legal Reserve	5	5
IV. Accumulated gains carried forward	1,374	0
	14,022	**12,648**
B. Provisions	,	
Other provisions	583	488
	583	**488**
C. Liabilities		
1. Trada payables	314	345
2. Liabilities from affiliated companies	254	6,472
3. Other liabilities	4,273	472
	4,841	**7,289**
Total equity and liabilities	**19,446**	**20,425**

Content

1. General information ... 8
2. Accounting and valuation principles ... 8
3. Notes to the balance sheet ... 10
3.1 Intangible assets ... 10
3.2 Property, plant and equipment ... 10
3.3 Financial assets ... 10
3.4 Receivables and other assets ... 11
3.5 Cash on hand and bank balances ... 11
3.6 Prepaid expenses ... 11
3.7 Equity ... 11
3.8 Provisions ... 15
3.9 Liabilities ... 15
4. Notes to the income statement ... 15
4.1 Revenues ... 15
4.2 Other operating income ... 15
4.3 Personnel expenses ... 16
4.4 Depreciation ... 16
4.5 Other operating expenses ... 16
4.6 Income from investments ... 17
4.7 Financial income and financial expenses ... 17
4.8 Income taxes ... 17
5. Other information ... 18
5.1 Auditor's fee ... 18
5.2 Supervisory Board ... 18
5.3 Management Board ... 20
5.4 Other financial commitments and contingent liabilities ... 21
5.5 Contingent liabilities ... 22
5.6 Financial and liquidity risk ... 22
5.7 Declaration of Conformity with the German Corporate Governance Code Section 161 AktG ... 23
5.8 Group affiliation ... 23
5.9 Events after the balance sheet date ... 25
5.10 Proposal for the appropriation of profits (Section 285 No. 34 HGB) ... 26
5.11 Assurance of the legal representative ... 29

1. General information

STS Group AG (hereinafter also referred to as the "Company") is a listed stock corporation domiciled in Germany with its registered office at Zeppelinstraße 4, 85399 Hallbergmoos. It is entered in the Commercial Register of the Munich Local Court under HRB 231926.

The majority shareholder of STS Group AG is Adler Pelzer Holding GmbH, Hagen, Germany. The Company is listed on the Frankfurt Stock Exchange in the General Standard.

These annual financial statements of STS Group AG have been prepared in accordance with Sections 242 et seq. and Sections 264 et seq. German Commercial Code ("HGB") and the supplementary provisions of the German Stock Corporation Act ("AktG"). The Company is a capital market-oriented company pursuant to Section 264d HGB and therefore qualifies as a large corporation pursuant to Section 267 (3) Sentence 2 HGB. The income statement has been prepared using the nature of expense method in accordance with Section 275 (2) HGB. Balance sheet disclosures are made in part in the notes.

The annual financial statements have been prepared in euros or thousands of euros (EUR thousand) unless otherwise stated. This may result in rounding differences of +/- EUR 1 thousand in individual cases.

The Company's fiscal year is the calendar year.

2. Accounting and valuation principles

The financial statements of the Company have been prepared unchanged using the following accounting policies and on a going concern basis (see section 5.6 Financial and liquidity risk for further explanations).

Purchased **intangible assets** are capitalized at cost and amortized on a straight-line basis over their expected operating life of three to five years, on a pro rata basis in the year of acquisition. If the fair value of individual intangible assets falls below their carrying amount, additional impairment losses are recognized if the impairment in value is expected to be permanent.

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation. Depreciation is charged on a straight-line basis over the periods permitted under commercial law. Additions to property, plant and equipment are generally depreciated on a pro rata temporis basis. Depreciation of office furniture and equipment is based on an operating life of 3 - 13 years.

Low-value movable assets ("GWG") that are subject to wear and tear are expensed or capitalized immediately and written off in full in the year of acquisition if the acquisition or production cost of the individual asset does not exceed EUR 800.

Financial assets are measured at cost. Write-downs to the lower fair value are made if the impairment is permanent. In the previous year, the corresponding option was exercised in the case of the merger of a direct subsidiary into an indirect subsidiary and the fair value of the shares was recognized. In the case of the other merger in the previous year of a direct subsidiary into an indirect subsidiary, the corresponding option was exercised and the carrying amount was recognized.

Receivables and other assets are stated at the lower of nominal value or fair value at the balance sheet date. Appropriate allowances are made for receivables whose collectability is subject to identifiable risks; uncollectible receivables are written off.

Non-current foreign currency receivables are recognized at the selling rate at the time the receivable arises or at the lower fair value based on the average spot exchange rate on the balance sheet date (imparity principle). Short-term foreign currency receivables (residual term of one year or less) as well as cash and cash equivalents or other current assets denominated in foreign currencies are translated at the average spot exchange rate on the balance sheet date.

Cash on hand and **bank balances** are stated at their nominal value at the balance sheet date.

Payments made prior to the balance sheet date are recognized as **prepaid** expenses if they represent expenses for a certain period after this date.

Subscribed capital is recognized at its nominal amount.

Other provisions are measured in accordance with prudent business judgment and recognized at their settlement amount.

Liabilities are recognized at their settlement amount.

Non-current foreign currency liabilities are measured at the higher of the spot exchange rate at the time the liability is incurred or the closing rate at the balance sheet date (imparity principle). Short-term foreign currency liabilities (remaining term of one year or less) are translated at the average spot exchange rate on the balance sheet date.

Transactions in **foreign currencies** are generally recorded at the historical exchange rate at the time of initial recognition.

Revenues are recognized monthly at the time of recharge.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets, liabilities and prepaid expenses for financial reporting purposes and for tax purposes, and on tax loss carryforwards. However, loss carryforwards are only included to the extent that they can be offset against taxable income within the statutory period of five years. Deferred tax assets and liabilities are netted. Any resulting total tax charge is recognized in the balance sheet as a deferred tax liability. In the case of tax relief, recognition is waived in accordance with the capitalization option.

3. Notes to the balance sheet

3.1 Intangible assets

As of December 31, 2021, intangible assets amount to 115 kEUR (2020: 159 kEUR) and mainly comprise rights to use software acquired from third parties against payment. For further information on intangible assets, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

3.2 Property, plant and equipment

As of December 31, 2021, property, plant and equipment amounted to 0 kEUR (2020: 24 kEUR). In the year under review, additions amounted to 17 kEUR (PY: 4 kEUR). The decrease compared to the previous year results from disposals and depreciation. For further information on property, plant and equipment, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

3.3 Financial assets

Financial assets as of the balance sheet date remained unchanged compared to December 31, 2020 and amount to 19,095 kEUR.

Shares in affiliated companies amounted to 19,065 kEUR as of December 31, 2021 (2020: 19,065 kEUR) and relate to the following companies:

Name and location	Result of the financial year 2021 in kEUR	Share capital in kEUR	Capital shares as of 12/31/202
STS Plastics SAS, Paris, France	-642	6,303	100%
STS Composites France SAS, St. Désirat, France	-2,904	1,514	100%
MCR SAS, Tournon, France	-2,170	4,795	100%
STS Composites Germany GmbH, Kandel, Germany	-28	-1,409	100%
Inoplast Truck S.A. de C.V., Ramos, Mexico	-170	5,892	100% 1)
STS Plastics Co. Ltd., Jiangyin, China	9,342	46,477	100%
STS Group North America Inc., Dalware, USA	-565	-911	100%

The figures are based on IFRS.

Loans to affiliated companies with a carrying amount of 30 kEUR (2020: 29 kEUR) consist of a long-term loan receivable from a subsidiary.

For further information on financial assets, please refer to the statement of changes in non-current assets in Annex 1 to the Notes.

3.4 Receivables and other assets

Receivables and other assets amounted to 119 kEUR as of the balance sheet date (2020: 439 kEUR). The decrease is mainly due to the decrease in receivables from affiliated companies. At the same time, receivables from affiliated companies amounting to 21 kEUR (2020: 353 kEUR) represent trade receivables and 63 kEUR (PY: 0 kEUR) represent other assets and relate to a clearing account. Other assets mainly include creditors with debit balances in the amount of 29 kEUR (2020: 6 kEUR). In the previous year, they also included a rent deposit of 54 kEUR. The receivables from affiliated companies have a term of less than one year. Other assets have a term of less than one year in the amount of 30 kEUR (PY: 31 kEUR) and a term of more than one year in the amount of 5 kEUR (PY: 54 kEUR).

3.5 Cash on hand and bank balances

As of December 31, 2021, cash and cash equivalents amounted to 29 kEUR (2020: 561 kEUR).

3.6 Prepaid expenses

As of December 31, 2021, prepaid expenses amount to 88 kEUR (2020: 148 kEUR) and mainly relate to insurance premiums and consulting services in the finance and IT areas.

3.7 Equity

The equity of STS Group AG is composed as follows:

in kEUR	31 December 2021	31 December 2020
Share capital	6,500	6,500
Own shares	-50	-50
Issued capital	6,450	6,450
Contingent capital	*2,500*	*2,500*
Capital reserves	6,193	6,193
Retained earnings		
legal reserves	5	5
Accumulated gains carried forward	1,374	0
Equity	**14,022**	**12,648**

Subscribed capital

The subscribed capital of STS Group AG amounted to 6,500 kEUR as of December 31, 2021 (December 31, 2020: 6,500 kEUR) and consists of 6,500,000 (2020: 6,500,000) bearer shares (no-par value shares), each with a notional interest in the Company's share capital of EUR 1.00 (2020: EUR 1.00).

The subscribed capital of STS Group AG is fully paid up.

Each share entitles the holder to one vote at the Annual General Meeting.

Authorized capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share capital in the period up to May 2, 2023 by up to EUR 2.5 million on one or more occasions by issuing up to 2,500,000 new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2018/I). Shareholders are generally to be granted subscription rights. However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases under the Authorized Capital 2018/I,

(i) to exclude fractional amounts from the subscription right;

(ii) to the extent necessary to grant holders or creditors of bonds carrying conversion or option rights or conversion or option obligations issued or to be issued by the Company or a direct or indirect affiliated company subscription rights to new no-par value bearer shares of the Company to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfillment of conversion or option obligations;

(iii) to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares already listed within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG) and the total pro rata amount of capital stock represented by the new shares issued with exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) does not exceed 10% of the capital stock;

(iv) to issue shares against contributions in kind, in particular but without limitation for the purpose of acquiring (also indirectly) parts of companies, interests in companies or other assets or to service bonds issued against contributions in kind.

Further details can be found in the authorizing resolution and in Section 4 (5) of the Articles of Association of STS Group AG.

As a result of the share capital increase carried out in September of the previous year and the associated utilization of authorized capital 2018/I, authorized capital was reduced by EUR 0.5 million from EUR 2.5 million to EUR 2.0 million.

Conditional capital

Conditional capital 2018/I

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to 2,000 kEUR through the issue of up to 2,000,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to grant shares upon exercise of option or conversion rights or upon fulfillment of option or conversion obligations to the holders or creditors of convertible bonds, bonds with warrants, profit participation rights and/or participating bonds (or combinations of these instruments) issued on the basis of the authorization resolution of the Annual General Meeting of May 3, 2018. Further details can be found in the authorization resolution and in Section 4 (3) of the Articles of Association of STS Group AG.

Conditional capital 2018/II

By resolution of the Annual General Meeting on May 3, 2018, the share capital of the Company is conditionally increased by up to 500 kEUR through the issue of up to 500,000 new no-par value bearer shares with a pro rata amount of the share capital of the Company of EUR 1.00 per no-par value share (Conditional Capital 2018/II). The Conditional Capital 2018/II will only be implemented to the extent that subscription rights have been issued in accordance with the Stock Option Program 2018 pursuant to the resolution of the Annual General Meeting on May 3, 2018, the holders of the subscription rights exercise their subscription rights and the Company does not grant treasury shares to fulfill the subscription rights. The total volume of subscription rights is distributed among the entitled groups of persons as follows:

- Members of the Management Board shall receive a maximum total of up to 200,000 subscription rights;
- Members of the management of affiliated companies receive a maximum total of up to 100,000 subscription rights;
- Employees of the Company shall receive a maximum total of up to 150,000 subscription rights; and
- Employees of affiliated companies receive a maximum total of up to 50,000 subscription rights.

Further details can be found in the authorization resolution and in Section 4 (4) of the Articles of Association of STS Group AG.

Acquisition of treasury shares

On November 21, 2018, the Management Board resolved, with the approval of the Supervisory Board, to launch a share buyback program of up to 1,000 kEUR (excluding incidental acquisition costs) using the authorization granted by the Annual General Meeting on May 3, 2018 ("Share Buyback Program 2018/I"). The authorization stipulates that the Management Board may, with the approval of the Supervisory Board, acquire treasury shares of the Company up to an amount of 10% of the respective share capital until May 2, 2023. The shares may be acquired via the stock exchange, by means of a public purchase offer or by means of a public invitation to submit offers for sale. The authorization allows the Management Board to use the treasury shares for any permissible purpose. Likewise, the Management Board is further authorized to acquire treasury shares also by using derivatives. Under the 2018/I share buyback program, a total of up to 50,000 treasury shares in the Company were to be repurchased in the period from November 22, 2018 to May 21, 2019.

The share buyback program 2018/1 served the following purposes:

- Reduction of the Company's share capital by cancellation of shares
- Serving purchase obligations or purchase rights to shares in the Company arising from and in connection with convertible bonds or bonds with warrants or profit participation rights with conversion or option rights issued by the Company or one of its Group companies, or
- Fulfillment of obligations to employees and board members of the Company and its affiliated companies arising from a stock option program of the Company.

The last acquisition took place on May 3, 2019, a total of 50,000 treasury shares were repurchased with an amount of EUR 50,000 of the share capital attributable to them, thus ending the program on this date. The treasury shares represent 0.8% of the share capital.

Capital reserve

As of December 31, 2021, the capital reserve amounts to 6,193 kEUR (2020: 6,193 kEUR).
No amounts were allocated to or withdrawn from the capital reserve in fiscal year 2021. This was increased by 1,000 kEUR in the 2020 financial year. As in the previous year, the capital reserve comprises the capital reserve pursuant to Section 272 II No. 1 HGB in the amount of 1,000 kEUR and the capital reserve pursuant to Section 272 II No. 4 HGB in the amount of 5,193 kEUR.

In the previous year, as part of the preparation of the annual financial statements, the capital reduction was implemented by releasing part of the capital reserve in the amount of 17,942 kEUR in order to offset the net loss for the year and the accumulated loss from the previous year in accordance with Section 150 (4) nos. 1 and 2 of the German Stock Corporation Act (AktG).

Retained earnings

The legal reserve amounted to 5 kEUR as of December 31, 2021 and December 31, 2020.

Unappropriated profit

The retained earnings for the financial year do not contain any profit carryforwards, as an accumulated loss was incurred in the previous year which was fully offset by the partial reversal of the capital reserve.

3.8 Provisions

Provisions developed as follows in fiscal year 2021:

in kEUR	As of January 1, 2021	Utilisation	Reversal	Addition	As of December 31, 2021
Financial statement and audit costs	158	158	0	221	221
Personnel expenses	162	62	0	120	220
Supervisory board renumeration	21	21	0	135	135
Outstanding invoives	50	47	3	6	6
Other provisins	97	97	0	0	0
Total other provisions	**488**	**385**	**3**	**482**	**582**

3.9 Liabilities

Liabilities amount to 4,841 kEUR in the reporting period (2020: 7,289 kEUR). Liabilities to affiliated companies in the amount of 254 kEUR relate to trade payables. Liabilities to affiliated companies in the previous year (2020: 6,472 kEUR) included liabilities to the former shareholder Mutares SE & Co. KGaA of 6,452 kEUR from loan relationships. These were reclassified to other liabilities in the reporting year due to the change in shareholders (value date as of December 31, 2021: 4,164 kEUR).

As in the previous year, all liabilities are due within one year.

4. Notes to the income statement

4.1 Revenues

Revenue in fiscal year 2021 of 1,520 kEUR (2020: 4,067 kEUR) results from the fees for management and corporate services invoiced to the subsidiaries. Of these, 12.5% (PY: 12.5%) are generated in Germany, 87.5% (PY: 75.5%) in France, and 0% (PY: 12.0%) in China.

4.2 Other operating income

Other operating income in fiscal year 2021 amounts to 231 kEUR (2020: 15,357 kEUR). 100 kEUR of the other operating income in the reporting year relates to the reversal of provisions; this represents income unrelated to the accounting period. Other operating income in the reporting year mainly includes income from benefits in kind for private vehicle use. It also includes income from currency translation amounting to 5 kEUR (previous year: 21 kEUR).

In the previous year, 12,771 kEUR related to income from the disclosure of hidden reserves in connection with the merger of a direct subsidiary into an indirect subsidiary, as the option to recognize the fair value of the shares acquired was exercised. This is income within the meaning of Section 285 No. 31 HGB. Furthermore, the other operating income of the previous year in the amount of 2,405 kEUR includes the recharging of costs to the subsidiaries, a cost reimbursement from Mutares SE & Co. KGaA and the offsetting of other non-cash benefits for private vehicle use. In the other operating income of the previous year, other operating income in the amount of 159 kEUR is attributable to the previous period and mainly included the reversal of provisions for year-end closing costs and outstanding invoices.

4.3 Personnel expenses

The average number of employees in fiscal 2021 was 3 (2020: 23). Members of the Management Board are not included in this figure.

4.4 Depreciation

In the 2020 financial year, amortization of intangible assets of 41 kEUR (2020: 55 kEUR) and depreciation of property, plant and equipment of 6 kEUR (2020: 57 kEUR) were recognized. For further information on depreciation and amortization, please refer to the statement of changes in non-current assets in Appendix 1 to the notes.

4.5 Other operating expenses

Other operating expenses mainly include:

in kEUR	2021	2020
Financial statment and audit costs	631	383
Legal and consulting costs	522	1,482
Supervisory Board runemartion	166	172
Insurance, contribution and other lewies	153	145
Costs of disposal in connection with affiliated companies	151	335
Rental expenses (incl. Motor vehicles)	109	411
Expenses from other periods	90	11
Outside services and work	84	170
Advertising expenses	61	236
Office and administration costs	39	84
Disposal from fixed assets	38	120
Travel expenses	22	138
Repair, maintenance and servicing	22	223
Expenses from affiliated companies	20	1,805
Expenses from currency translation	18	3
Occupancy costs	13	32
Vehicle costs	12	35
Incidental expenses of monetary transactions	2	43
Expenses from the disposal of affiliated companies	0	4,292
Miscellaneous other expenses	77	37
Other operating expenses	**2,230**	**10,157**

In the previous year, expenses of 4,292 kEUR were incurred in connection with the sale of the shares in STS Acoustics S.p.A. and STS Brazil Holding GmbH due to additional payment obligations and debt waivers. These are expenses within the meaning of Section 285 No. 31 HGB.
Other operating expenses include expenses from currency translation amounting to 18 kEUR (previous year: 3 kEUR).

4.6 Income from investments

Income from investments amounts to 3,183 kEUR in fiscal year 2021 (2020: 0 kEUR) and relates to dividend income from a subsidiary.

4.7 Financial income and financial expenses

Income from loans held as financial assets totalled 1 kEUR in fiscal year 2021 (2020: 304 kEUR) of which from affiliated companies in the amount of 1 kEUR (2020: 304 kEUR).

Interest and similar expenses of 290 kEUR were incurred in fiscal year 2021 (2020: 219 kEUR).

In the previous year, impairment losses on financial assets amounting to 12,944 kEUR were recognized as an expense. These related firstly to the shares in STS Acoustics S.p.A. and STS Brazil Holding GmbH in the amount of 8,039 kEUR and secondly to the loan to these companies in the amount of 4,905 kEUR. They were related to the sale of the companies. These were expenses within the meaning of Section 285 No. 31 HGB.

The financial income and expenses for the reporting year do not include any income or expenses of an exceptional size or significance.

4.8 Income taxes

In fiscal year 2021, income taxes of 161 kEUR (2020: 45 kEUR) will be recorded, mainly resulting from withholding taxes with respect to dividends of the foreign subsidiaries (in the previous year with respect to management services).

5. Other information

5.1 Auditor's fee

Pursuant to Section 285 No. 17 of the German Commercial Code (HGB), the total auditor's fee is not disclosed in the annual financial statements of STS Group AG, as STS Group AG prepares consolidated financial statements and the disclosures on the total fee are made in these consolidated financial statements. The total fee relates exclusively to auditing services.

5.2 Supervisory Board

The members of the Supervisory Board of STS Group AG in fiscal year 2021 were:

Paolo Scuderi, from July 23, 2021
Industrial Engineer

Chairman of the Supervisory Board

Chairman of the Board of:
- *Adler Plastic S.p.A*
- *Adlergroup S.p.A.*
- *GAIA Holding Srl*

Managing Director
- *Adler Polska Sp.z o.o.*
- *Eagle Pelzer Swiss AG*

Advisory board of the
- *Adler Pelzer Holding GmbH*

Pietro Lardini, from July 23, 2021
MBA (Bocconi)

Managing Director
- *Adler Pelzer Holding GmbH*
- *HP Pelzer Automotive GmbH*
- *Eagle Pelzer Clion Ltd.*
- *RAT Special Machines Ltd.*
- *Vegroteppichboden GmbH*
- *HP Pelzer Min GmbH*
- *HP Pelzer Projektführungs GmbH*
- *HP-chemie Pelzer (UK) Ltd*
- *CAB Automotive Ltd.*
- *Eagle Evo S.r.l.*
- *HP-Pelzer s.r.o.*
- *Eagle Pelzer Swiss AG*
- *Hankook Pelzer Ltd.*

- *Chongqing HP Pelzer Automotive Interior Systems Co., Ltd.*
- *Hangzhou HP Pelzer Automotive Interior Systems Co., Ltd.*
- *Nanjing HP Pelzer Automotive Interiors System Co. Ltd*
- *HP Pelzer Automotive Interiors Systems (Taicang)Co. Ltd*
- *Taicang RAT Machinery & Technology Co. LTD.*
- *Pimsa Adler Otomotiv A.S.,*
- *HP Pelzer Pimsa Otomotiv A.S.*
- *Pimsa Otomotiv Tekstilleri Sanayi ve Tikaret A.S.*
- *HP Pelzer Automotive Systems Inc.*

Pietro Gaeta, from July 23, 2021
Lawyer

Vice Chairman of the Supervisory Board

Managing Director

- *AvvocatoGaeta S.t.a.p.a.*

Advisory board of the

- *Adler Pelzer Holding GmbH*

Dr. Wolfgang Lichtenwalder, until July 23, 2021
Attorney at Law, Master of Laws

Vice Chairman of the Supervisory Board

Member of the Supervisory Board of:

- *mutares Holding-02 AG*
- *mutares Holding-09 AG i.L.*
- *mutares Holding-13 AG i.L.*
- *mutares Holding-21 AG*
- *mutares Holding-30 AG i.L.*

Member of the Management Board of:

- *mutares Holding-35 GmbH*
- *mutares Holding-36 GmbH*
- *mutares Holding-37 GmbH*
- *mutares Holding-38 GmbH*
- *mutares Holding-39 GmbH*
- *mutares Holding-40 GmbH*
- *mutares Holding-41 GmbH*
- *mutares Holding-42 GmbH*
- *mutares Holding-43 GmbH*
- *mutares Holding-44 GmbH*
- *mutares Holding-45 GmbH*
- *mutares Holding-46 GmbH*
- *mutares Holding-47 GmbH*

Dr. Wolf Cornelius, until July 23, 2021

Graduate Engineer

Chairman of the Supervisory Board

Chairman of the Supervisory Board of:

- *mutares Holding-02 AG*
- *mutares Holding-03 AG (until 12.06.2020)*
- *mutares Holding-09 AG i.L.*
- *mutares Holding-14 AG (formerly: GeesinkNorba Group AG)*
- *BEXity GmbH (since 12.05.2020)*
- *Iinovis GmbH (since 13.11.2020)*

Member of the Management Board of:

- *Balcke Dürr GmbH*
- *KICO Ltd.*
- *Mesenhöller Verwaltungs GmbH*

Bernd Maierhofer until July 23, 2021

Graduate Engineer

Member of the Supervisory Board of:

- *VOSS Automotive GmbH*

The total remuneration of the Supervisory Board amounted to 172 kEUR (2020: 225 kEUR).

5.3 Management Board

Members of the Management Board of STS Group AG since January 1, 2021:

Alberto Buniato CEO (Chairman) (from February 01, 2022)

MBA

Chairman of the Board of Directors of:

STS Plastics S. A. S.

STS Composites France S.A.S.

HPP Systems de Mexico S.A de C.V. Pachuca/Mexico

Chairman of the Board of:

STS Plastics Co., Ltd.

HP Pelzer Automotive Systems Inc.

Pelzer de Mexico S.A. de. C.V.

Member of the Management Board of:

STS Composites Germany GmbH

MCR S.A.S.

HP Carpets, LLC

RAT de Mexico de S.A. de C.V.

Andreas Becker, CEO (Chairman) (until Jan. 31, 2022)

Diplom-Betriebswirt

Chairman of the Board of Directors of:

STS Plastics S.A.S.

STS Composites France S.A.S.

Chairman of the Board of:

STS Plastics Co., Ltd.

Member of the Management Board of:

STS Composites Germany GmbH

MCR S.A.S.

Member of the Management Board of:

STS Composites Germany GmbH

Mathieu Purrey, CEO, until July 23, 2021

Master Business

Chairman of the Board of Directors of:

STS Plastics S. A. S.

STS Composites France S. A. S.

Chairman of the Board of:

STS Plastics Co., Ltd.

Member of the Management Board of:

STS Composites Germany GmbH

MCR S. A. S.

The members of the Management Board received **total compensation of** 276 kEUR in fiscal year 2021 (2020: 1,077 kEUR). Remuneration of former members of the Management Board pursuant to Section 285 No. 9 b S. 1 to 2 HGB amounted to 0 kEUR in the reporting period (2020: 1,230 kEUR) and related to severance costs in the previous year.

5.4 Other financial commitments and contingent liabilities

There are other financial obligations totalling 66 kEUR from **vehicle leases**. 63 kEUR of these relate to the year 2022 and 3 kEUR to the year 2023.

In the previous year 2020, there were other financial obligations totalling 32 kEUR from long-term rental agreements.

5.5 Contingent liabilities

As in the previous year, STS Group AG is liable to a direct subsidiary for any warranty claims of a customer in an unlimited amount.

As in the previous year, STS Group AG has issued **letters of comfort** for certain customer projects in which the Company undertakes to provide the subsidiaries with all financial, economic, administrative and technical support required to enable them to meet their contractual obligations to their customers in full. If the subsidiaries fail to meet their contractual obligations, STS Group AG is obliged to fulfill them.

Furthermore, as in the previous year, the Company **guarantees** two loans of a direct subsidiary in the amount of CNY 10,000,000 each (as of December 31, 2021: 1,386 kEUR) up to a maximum amount of 2,900 kEUR.

Furthermore, on January 19, 2022, STS Group AG issued a hard letter of comfort in the amount of 1,700 kEUR to its subsidiary STS Composites Germany GmbH with an initial termination option until January 1, 2023.

As in the previous year, the Company estimates that the risk of a possible claim is not probable for all obligations listed, as the existing contingent liabilities of STS Group AG were reviewed with regard to the risk situation as of the balance sheet date, taking into account existing knowledge of the net assets, financial position and results of operations of the business partners.

5.6 Financial and liquidity risk

Liquidity risk comprises the following risks:

- Not being able to meet potential payment obligations at the time they are due.
- Not being able to procure sufficient liquidity at the expected conditions when needed (refinancing risk).
- not being able to terminate, extend or close out transactions, or only being able to do so at a loss or at excessive cost, due to market inadequacies or market disruptions (market liquidity risk).

Prudent liquidity management includes maintaining an adequate reserve of cash and cash equivalents as well as the possibility of financing through committed credit lines. Due to the dynamic nature of the business environment in which the Group operates, the aim is to maintain the necessary flexibility in financing within the Group by maintaining sufficient unused credit lines and factoring.

STS Group AG is ultimately subject to the financing risk arising from its dependence on further financing from the majority shareholder or via the subsidiaries (by means of management fees and dividends). This financial dependency is compensated for by the annual dividend distribution of the Chinese subsidiary, which had already been made and paid to STS Group AG for the financial year 2021 at the time of preparation. The Group can only dispose of the latter in compliance with applicable foreign exchange restrictions. In addition, short-term loans are also issued by the majority shareholder as required to counter short-term liquidity bottlenecks.

5.7 Declaration of Conformity with the German Corporate Governance Code Section 161 AktG

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of STS Group AG have issued the prescribed declaration of conformity and made it available to shareholders on the STS Group AG website. The full text of the declaration of compliance is available on the STS Group AG website at www.sts.group/de/investor-relations/corporate-governance.

5.8 Group affiliation

The Company is the parent company of the STS Group and, as such, prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU), and in accordance with section 315e (1) of the German Commercial Code (HGB) for the financial year ended December 31, 2021.

The Company is also included as a subsidiary in the consolidated financial statements of Adler Pelzer Holding GmbH, Hagen, Germany. This company prepares the consolidated financial statements for the smallest group of companies. Adler Pelzer Holding GmbH, Hagen, Germany, is in turn included in the consolidated financial statements of G.A.I.A. Holding S.r.l.. The latter prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements of G.A.I.A. are available at the registered office of this company in Desio, Italy, and will be published in the electronic Federal Gazette for the first time for fiscal year 2021.

Disclosure pursuant to Section 160 (1) No. 8 AktG on voting rights announcements

Pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG), information must be provided on the existence of shareholdings that have been notified pursuant to Section 20 (1) or (4) of the German Stock Corporation Act (AktG) or Section 33 (1) or (2) of the German Securities Trading Act (WpHG). Under these provisions, investors whose share of voting rights in listed companies has reached, exceeded or fallen below certain thresholds are required to notify the Company.

There may have been changes in the voting rights listed after the dates indicated that were not notifiable to the Company. As the shares of the Company are no-par value bearer shares, the Company is generally only aware of changes in shareholdings to the extent that they are subject to mandatory reporting requirements. The following voting rights are based on the mandatory disclosures pursuant to

Section 33 of the German Securities Trading Act (WpHG).

On March 17, 2021, Adler Pelzer Holding, Hagen, notified the acquisition of instruments by which it would exceed the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights in STS Group AG and thus hold shares of 73.25% (corresponding to 4,761,327 voting rights).

On July 2, 2021, Mutares SE & Co. KGaA, Munich, notified the sale of its shares to 0%, whereby it fell below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights. At the same time, Adler Pelzer Holding GmbH notified the execution of the acquisition instruments (in accordance with the notification dated March 17, 2021) and thus the acquisition of 73.25% (corresponding to 4,761,327 voting rights) of the shares. As a result, the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% of the voting rights were exceeded. With the completion of the takeover offer on September 23, 2021, which was published on August 9, 2021, Adler Pelzer Holding GmbH acquired a further 22,120 shares, thus achieving a quota of 73.59%.

MainFirst SICAV, notified that its share of voting rights in STS Group AG fell below the threshold of 3% on August 24, 2021 and amounted to 2.84% (corresponding to 184,392 voting rights) on that date. HANSAINVEST Hanseatische Investment-GmbH, Hamburg, notified us that its share of voting rights in STS Group AG initially exceeded the threshold of 3% of voting rights on December 1, 2021, and amounted to 3.15% (corresponding to 204,950 voting rights) on this date. In another notification from HANSAINVEST Hanseatische Investment-GmbH, Hamburg, dated December 15, 2021, the share of voting rights fell below the threshold of 3% again and amounted to 2.68% on this date (corresponding to 174,450 voting rights). On January 4, 2022, HANSAINVEST Hanseatische Investment-GmbH, Hamburg, announced that the threshold of 3% had again been exceeded. As of this date, HANSAINVEST Hanseatische Investment-GmbH, Hamburg, thus held 3.36% of the voting rights (corresponding to 218,250 voting rights).

5.9 Events after the balance sheet date

On January 21, 2022, STS Group AG announced the following changes in the company's Management Board via ad hoc notification: The sole member of the Management Board, Mr. Andreas Becker, will terminate his office by mutual agreement at the end of January 31, 2022. Mr. Becker will remain associated with the Adler Pelzer Group. The Supervisory Board of STS Group AG and Mr. Becker have mutually agreed on this today. The Supervisory Board would like to thank Mr. Becker for his successful work as a member of the Management Board following the completion of the acquisition of STS Group AG. Mr. Alberto Buniato, President NAFTA Adler Pelzer Group & Director Corporate Purchasing Adler Pelzer Group, was appointed by the Supervisory Board as sole member of the Management Board with effect from February 1, 2022.

The geopolitical tensions, especially in connection with the Ukraine/Russia conflict, are another significant risk factor for the further market development. STS Group's management is constantly monitoring the development of the conflict; at this stage, STS Group's revenues, operations and supply chain have not been affected by the conflict, with the exception of increasing inflationary pressure on raw material and energy prices in Europe. There are no immediate indications of production stoppages at customers, significant supply chain disruptions, or immediate reductions in market production volumes. Nevertheless, STS Group management remains vigilant and prepared for any significant change that may occur. As of now, the Ukraine crisis will not have a serious impact on the development of STS Group. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war, as well as by a cessation of raw material supplies from Russia and a related increase in energy prices. Due to the unpredictability of the development of the conflict, the Management Board assumes a limited ability to forecast for the remaining part of the fiscal year 2022.

Most recently, a dividend of 5,967 kEUR (41,800 TCNY) was paid by the Chinese subsidiary to STS Group AG in March 2022.

5.10 Proposal for the appropriation of profits (Section 285 No. 34 HGB)

The Management Board and Supervisory Board propose to the Annual General Meeting that the retained earnings of STS Group AG of 1,375 kEUR reported as of December 31, 2021 be appropriated as follows:

The Management Board and the Supervisory Board intend to submit a proposal for the appropriation of profits to the Annual General Meeting to be held on May 24, 2022, which provides for the distribution of a dividend of EUR 0.04 per no-par value share carrying dividend rights for the financial year 2021. The planned total dividend for fiscal year 2021 thus amounts to 260 kEUR (fiscal year 2020: 0 kEUR), which corresponds to the minimum dividend per no-par value share in accordance with the German Stock Corporation Act. In addition, a proposal will be made to the Annual General Meeting to transfer the remaining amount of 1,114 kEUR to retained earnings in order to meet the planned further growth of STS Group AG and the upcoming investment requirements.

Hallbergmoos, April 5, 2022

....
Alberto Buniato (Board of Directors)

Appendix 1 to the notes

MOVEMENT SCHEDULE OF FIXED ASSETS FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021

	Acquistion and production costs			
in EUR	01 January 2021	Additions	Disposals	31 December 2021
I. Intangible Assets				
Concessions, industrial property rights and similar rights and assets acquired against payment, as well as licenses to such rights and assets	227,000	-	30,000	197,000
II. Tangible Assets				
Other Equipment, factory and office equipment	98,554	16,883	102,367	13,070
III. Financial Assets				
1. Shares in affiliated companies	19,065,022	-	-	19,065,022
2. Loans to affiliated companies	28,467	1,156	-	29,623
	19,093,489	1,156	-	19,094,646
Total	**19,419,043**	**18,040**	**132,367**	**19,304,716**

Accumulated amortizaion and depreciation				Net book value	Net book value
01 January 2021	Additions	Disposals	31 December 2021	31 December 2021	31 December 2020
67,685	40,650	26,250	82,085	114,915	159,315
74,610	5,960	67,500	13,070	0	23,944
-	-	-	-	19,065,022	19,065,022
-	-	-	-	29,623	28,467
-	-	-	-	19,094,646	19,093,489
142,295	**46,610**	**93,750**	**95,155**	**19,209,561**	**19,276,749**

5.11 Assurance of the legal representative

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report, which is combined with the group management report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hallbergmoos, April 5, 2022

....
Alberto Buniato (Board of Directors)

AUDITOR'S REPORT OF THE INDEPENDENT AUDITOR

To the STS Group AG, Hallbergmoos

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of STS Group AG, Hallbergmoos, - comprising the balance sheet as of 31. Dezember 2021 and the income statement for the fiscal year from 1. January 1 to 31. Dezember 2021 and the notes to the financial statements, including a description of the accounting policies. In addition, we have audited the management report of STS Group AG, which is combined with the group management report, for the business year from 1. January 1 to 31. Dezember 2021 audited.

In our opinion, based on the findings of our audit, the consolidated financial statements are as follows

- the accompanying financial statements comply in all material respects with German commercial law and give a true and fair view of the net assets and financial position of the Company as of December 31, 2021 and of its results of operations and cash flows for the fiscal year then ended in accordance with German principles of proper accounting. 31. Dezember 2021 and of its results of operations for the fiscal year from 1. January 1 to 31. Dezember 2021 and

- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the annual financial statements and the management report.

Basis for the audit judgments

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and the EU Regulation on the Audit of Annual Financial Statements (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those regulations and standards is further described in the "Auditor's Responsibility for the Audit of the Annual Financial Statements and Management Report" section of our auditor's report. We are independent of the Company in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and the management report.

Particularly important audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the fiscal year from 1. January 1 to 31. Dezember 2021 were. These matters were considered in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our view, the following matter was most significant in our audit:

❶ Valuation of shares in affiliated companies

We have structured our presentation of this particularly important audit matter as follows:

① Facts and problem

② Audit procedure and findings

③ Reference to further information

In the following, we present the audit matter of particular importance:

❶ **Valuation of shares in affiliated companies**

① Shares in affiliated companies amounting to EUR 19,065 kEUR (98.0% of total assets) are reported under the balance sheet item "Financial assets" in the Company's annual financial statements.

The valuation of shares in affiliated companies under commercial law is based on the acquisition cost and the lower fair value in the event of an impairment that is expected to be permanent. The assessment of a possible need for impairment to a lower fair value is based on stock exchange or market prices, if available, and otherwise using discounted cash flow models based on the present values of the expected future cash flows resulting from the planning calculations prepared by the legal representatives. This also takes into account expectations about future market developments and assumptions about the development of macroeconomic influencing factors. In addition, expectations about the continuation of the Corona pandemic have also been formed and the corresponding effects taken into account. Discounting is carried out using the individually determined cost of capital. On the basis of the values determined and further documentation, there was no need for a write-down for the fiscal year.

The result of this valuation depends to a large extent on how the legal representatives estimate the future cash flows, as well as on the discount rates and growth rates used in each case. The valuation is therefore subject to significant uncertainties, also against the background of the ongoing Corona pandemic. Against this background and due to the high complexity of the valuation and its material significance for the net assets and results of operations of the Company, this matter was of particular importance in the context of our audit.

② In the course of our audit, we verified, among other things, the Company's methodical approach to the valuation of shares in affiliated companies. In particular, we assessed whether the assessment of a possible need for impairment to a lower fair value was appropriately performed on the basis of discounted cash flow models, taking into account the relevant valuation standards. In doing so, we relied, among other things, on a comparison with general and industry-specific market expectations as well as on extensive explanations provided by the legal representatives on the key value drivers underlying the expected cash flows. In this context, we also assessed the legal representatives' assessment of the impact of the Corona pandemic and took this into account when estimating future cash flows. Knowing that even relatively small changes in the discount rate and growth rates used can be significant in terms of value, we, with the support of our internal valuation specialists, intensively dealt with the parameters used in determining the discount rate and growth rates used and understood the calculation schemes. Finally, we assessed whether the values determined in this way were correctly compared with the corresponding carrying amount in order to determine any need for impairment.

In our opinion, the valuation parameters applied by the legal representatives and the underlying valuation assumptions, taking into account the available information, are suitable overall for the proper valuation of the shares in affiliated companies.

③ The Company's disclosures on financial assets are included in section 2 "Accounting policies" and section 4.3 "Financial assets" of the notes.

Other information

The legal representatives are responsible for the other information.

The other information includes

- the corporate governance statement pursuant to Section 289f HGB and Section 315d HGB
- the separate non-financial report pursuant to Section 289b (3) HGB and Section 315b (3) HGB

Our audit opinions on the financial statements and the management report do not cover the other information and, accordingly, we do not express an audit opinion or any other form of conclusion thereon.

In connection with our audit, we have a responsibility to read the other information referred to above and, in doing so, assess whether the other information is

- are materially inconsistent with the financial statements, the content of the audited management report or our knowledge obtained in the audit, or

- otherwise appear to be materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with German commercial law and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for preparing the financial statements on the basis of the going concern principle, unless factual or legal circumstances prevent this.

Furthermore, management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position and is consistent in all material respects with the annual financial statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and management report.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides a suitable view of the Company's position and is consistent, in all material respects, with the annual financial statements and the audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and management report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material misstatement of the annual financial statements and management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher for noncompliance than for inaccuracy, as noncompliance may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the financial statements and the arrangements and actions relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting.

- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the understanding of the Company's position given by it.

- We perform audit procedures on the forward-looking statements made by management in the management report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions underlying the forward-looking statements made by management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure of the matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Report on the audit of the electronic reproductions of the annual financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3a) of the German Commercial Code (HGB)

Audit opinion

In accordance with Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the reproductions of the annual financial statements and management report (hereinafter also referred to as "ESEF documents") contained in the JA.zip file and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) of the German Commercial Code regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information in the annual financial statements and management report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the financial statements and management report contained in the aforementioned file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) HGB. We report on this audit opinion and on our audit opinions contained in the preceding "Report on the audit of the annual financial statements and management report" on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1. Januar to

31. Dezember 2021 we do not express any opinion whatsoever on the information given in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the annual financial statements and the management report contained in the above-mentioned file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with IDW Prüfungsstandard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3a) of the German Commercial Code (HGB) (IDW PS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility thereafter is further described in the section "Auditor's Responsibility for the Audit of the ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1) applied.

Responsibility of the legal representatives and the supervisory board for the ESEF documents

The Company's management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the management report in accordance with section 328 (1) sentence 4 no. 1 HGB.

Furthermore, management is responsible for the internal controls as they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- Obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as amended at the reporting date regarding the technical specification for this file.

- we assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited management report.

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on July 23. Juli 2021 elected us as auditors. We were appointed 10. Dezember 2021 engaged by the Supervisory Board. We have served as the auditor of the annual financial statements of STS Group AG, Hallbergmoos, without interruption since the 2015 fiscal year, including four fiscal years during which the Company continuously met the definition of a public interest entity as defined in Section 319a (1) sentence 1 HGB.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (Audit Report).

NOTE ON OTHER MATTERS - USE OF THE AUDIT OPINION

Our audit opinion should always be read in conjunction with the audited annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and management report converted to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited annual financial statements and audited management report and do not replace them. In particular, the "Report on the audit of the electronic reproductions of the annual financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB" and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

AUDITOR IN CHARGE

The auditor responsible for the audit is Dietmar Eglauer.

Munich, April 5, 2022

PricewaterhouseCoopers GmbH

Auditing Company

Dietmar Eglauer	ppa Maximilian Völkl
Auditor	Auditor